

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

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| In re: | § | |
| | § | CASE NO. 23-32810 (CML) |
| Polaris Operating, LLC, <i>et. al.</i> , | § | |
| | § | |
| <i>Debtors.</i> | § | Chapter 11 |
| | § | |
| | § | (Jointly Administered) |

**3CHA OIL AND GAS, LLC'S AND TATCH LLC'S
RESPONSE TO DEBTOR'S EMERGENCY MOTION [DOC. NO. 211]**

COMES NOW 3CHA Oil and Gas, LLC ("3CHA") and TATCH LLC ("TATCH") (collectively "3CHA/TATCH"), and files this their response to the Debtors' Emergency Motion regarding bidding procedures for upcoming auctions, which the Debtors filed on November 16, 2023 [Doc. No. 211]. 3CHA/TATCH respectfully show the Court as follows:

3CHA/TATCH own a combined total of over fifty percent (50%) of the common shares and preferred shares of the Debtors (Polaris and CCCB Energy Partners, LLC). This response is limited to the Debtors' potential auction of the WGU Waterflood Assets, which is Polaris's ownership interest in a water flood project in Oklahoma, known as the WGU Waterflood Project. *See* Debtors' Emerg. Mot. [Doc. 211] at ¶¶14-15. 3CHA/TATCH do not object to the Debtors' intention to auction the other two "buckets" of assets: the *Mesa Vista Assets* or the *Masterson Assets*. However, the *WGU Waterflood Assets* are completely unlike the *Mesa Vista* and *Masterson Assets* in at least two important ways.

First, Polaris operates the *Mesa Vista* and *Masterson Assets*; whereas, it is a mere investor in the WGU Waterflood Project (the *WGU Waterflood Assets* is Polaris's investment in this Project). Polaris has a substantial ownership percentage in the WGU Waterflood Project; however,

as an investor, **it has no operational role**. Hence, the concerns voiced to the Court thus far about Polaris not properly operating the *Mesa Vista* or *Masterson Assets* are of no concern to the *WGU Waterflood Assets*, because the WGU Waterflood Project is operated by a completely different entity not in bankruptcy.

Second, the *Mesa Vista* and *Masterson Assets* are fully-developed oil and gas interests that Polaris has been operating and producing for years. The *Mesa Vista* and *Masterson Assets* are mature in terms of their production and, therefore, unlikely to substantially increase in value in the future. Hence, an auction of the *Mesa Vista* and *Masterson Assets* at this time appears sensible.

In stark contrast, the *WGU Waterflood Assets* are likely to substantially increase in value over the next 12-18 months. The WGU Waterflood Project commenced just last year and is still in the “water flood” phase. It is 3CHA’s and TATCH’s understanding that the operators of the Project are optimistic about its prospects over the next 12-18 months, where they expect production to increase (likely substantially). This substantial increase in production would, in turn, substantially increase the value of the *WGU Waterflood Assets* (Polaris’s ownership interest in the WGU Waterflood Project). Accordingly, 3CHA/TATCH are concerned that an auction now will generate far less than a disposition later once the Project is more developed.

The Debtors state that they have not identified a stalking horse for the *WGU Waterflood Assets* and that their Chief Restructuring Officer is still determining whether it is in the Debtors’ best interests to auction off the *WGU Waterflood Assets*. See Debtors’ Emerg. Mot. [Doc. 211] at ¶¶14. Hence, 3CHA and TATCH hereby file the instant Response to reserve their rights to object to the auction of the *WGU Waterflood Assets* – if the Debtors (and their CRO) ultimately decide to proceed with such auction.

Respectfully submitted,

/s/ Gregory K. Evans

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**ATTORNEYS FOR 3CHA OIL AND GAS, LLC
AND TATCH LLC**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on November 21, 2023, the foregoing was served upon all counsel of record via the Court's CM/ECF system.

/s/ Gregory K. Evans
Gregory K. Evans